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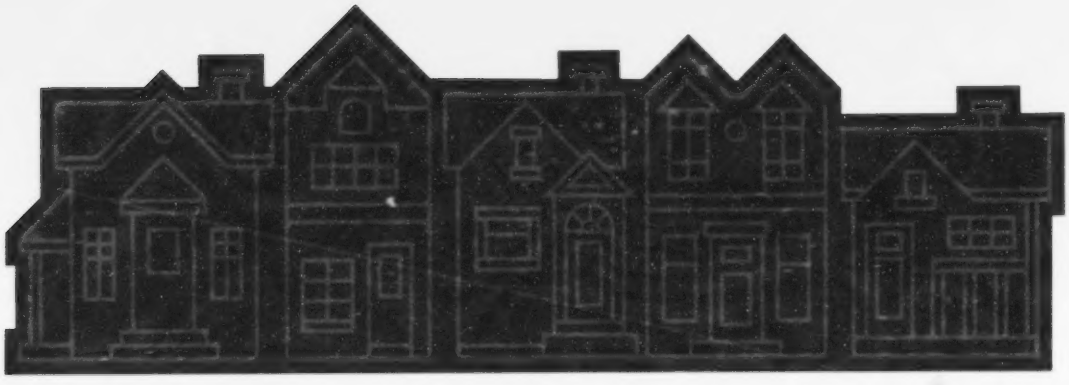
A Home Of Your Own

Helpful Advice From HUD on Choosing, Buying, and Enjoying a Home



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Here's your HUD Home Buying Guide. Inside, you'll find a great deal of useful information to help you find, and then own, the home of your dreams. We hope you'll consider this Guide a helpful and friendly companion to take along on every step of your home buying adventure. Happy house-hunting!

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STEP ONE

Going For Your Dream

"I guess you just figure that if you have a good job and work hard, someday you'll get a nice house with a yard, a little piece of earth to call your own. You know, like your parents had. But now—everything we make, we spend. It's hard to keep up, let alone save anything. I'm starting to wonder if for us, the American dream...is an impossible dream."

We know that a lot of Americans are wondering the same thing. We at HUD would like to help. HUD, short for the U.S. Department of Housing and Urban Development, is a government agency created to make the American dream of homeowning not just a myth, but a real possibility for everyone. And that includes you.

Since 1934, we've been putting Americans, millions of them, through the doors of their own homes. We do it by making homeowning easier and more affordable than you ever thought possible. If you'd like to become a homeowner, whether you decide on a HUD Home or not, you can use this guide to take you step by step through each stage of finding and buying your own home.

There's a lot involved before you can fit that key in the door. Some of it, like the Sunday drives through neighborhoods where you'd like to live, is great fun. Then there's the part of home buying that gets a bit complicated: figuring out how much home you can afford; shopping for a mortgage loan; and making an offer on the home you want. Fortunately, you'll have a real estate professional to help you through these not-so-fun parts.

And you'll have us, at HUD, to help you afford it. We own homes throughout many communities, and we make it easy for you to buy with attractive prices and economical terms.

Because the American dream isn't just a dream today. It can become as solid a reality as that old-fashioned wooden swing on the front porch of the home you've wanted all your life.

"I couldn't believe that for the cost of my first and last month's rent, I could get into a HUD Home I'd love. Now I look at the key in my hand—and I'm a believer!"

Why Owning Makes Sense

OWNING

Save on income taxes; can deduct mortgage interest, property tax.

Each payment builds equity in your future.

Security of owning—*you* decide when to move.

Paint and decorate *your* way.

RENTING

Rent check vanishes each month; nothing to show for it.

No personal decorating—must live with someone else's choices.

Future uncertain: must move when property owner wishes.

"When we were renting, we had to live with green carpeting and all white walls. Now we can paint any color we like—I'm thinking about a yellow kitchen!"

What Homeowning Means to You

You'll love the feeling of having something that's all yours—a home where your own personal style will tell the world who you are. A thriving vegetable garden in the backyard, a tiled entryway, a yellow kitchen: when you own, you can do it all *your* way. But there's more to homeowning than personal satisfaction.

You can deduct the entire cost of your mortgage loan interest from your federal income taxes, and usually from your state taxes, too. And interest will compose nearly all of your monthly payment, for over half the number of years you'll be paying on your mortgage.

This adds up to a very hefty savings at the end of each year! And you're also allowed to deduct the property taxes you pay as a homeowner. But if you rent, you write your monthly check and it's gone—forever.

Another financial plus in owning a home is the possibility its value will go up through the years. If you select your home carefully and plan to keep it a while, it could mean you're building equity in your future.

One form of equity is your home's potential increase in value. But equity is also the value you put into your home as you pay off your mortgage loan. Both kinds of equity increase your ownership in the American dream.

Low-Cost Ways to Brighten Your New Home

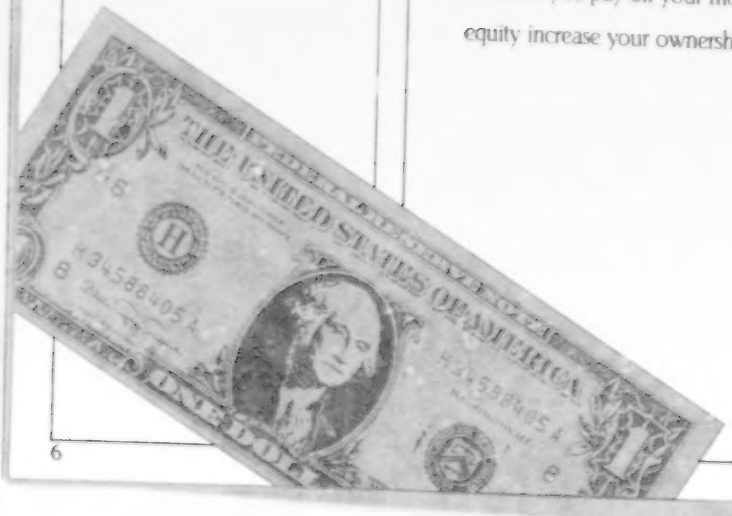
Create a family photo wall using inexpensive frames from the drugstore.

Make curtains from colorful low-cost fabric; and throw pillows to match.

Hit garage sales for nice, low-priced pictures and prints.

Start a gallery of the kids' art by framing their pictures and changing them every few weeks.

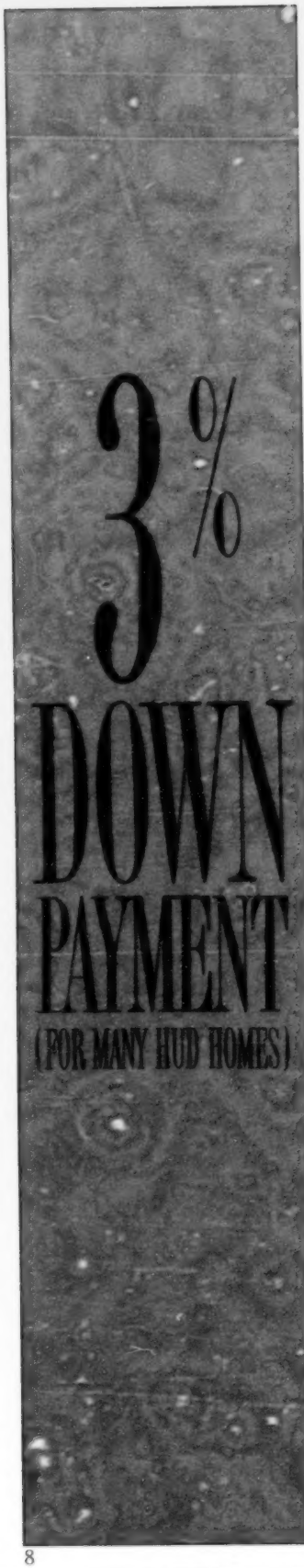
Hang plants from the ceiling: scatter them everywhere!



STEP TWO

Home Styles For Lifestyles

"I do so value my independence; I never wanted to move in with the kids. They need their privacy. But it seemed the yard was getting bigger every year, and harder for me to take care of. I looked around and found this perfect little townhome. All the lawns and walks are so beautifully kept, and my grandkids have a great time on the playground. I'm so glad I moved!"



"I wanted a HUD Home because I knew I could afford one. But I thought I'd be limited — say, to buying a condo in a certain neighborhood. Was I wrong!"

What Kind of Home is Your Kind of Home?

The type of home you choose should fit the life you like to lead. Are you the yard-puttering type? Then you probably yearn for a single-family home with a big lawn and maybe a patio so you can fire up the barbecue and have the neighbors over to admire your roses.

Or maybe a low-maintenance, hassle-free lifestyle suits you better. If so, you'll want to look into a condominium or townhome. In homes like these, the exterior maintenance and grounds upkeep is taken care of by a homeowners' association to which you pay dues. An advantage is that this kind of home generally costs less than a traditional single-family home.

About HUD Homes

HUD Homes come in every size, shape and floorplan. You can choose from HUD single-family homes, condominiums, townhomes or 2-4 unit properties located in many communities throughout the country. Your real estate broker will have a complete listing.

HUD Homes are put up for sale when a mortgage lender forecloses on a mortgage insured by FHA (Federal Housing Administration—one of HUD's programs). The lender applies to HUD to pay the balance due on the mortgage. HUD then takes title to the property, and offers it to the public at fair market value.

HUD Homes Give You More Than You Bargain For

HUD wants to make home buying easy for you and here are a few of the ways we do it:

- Many HUD homes require only a 3% down payment instead of the usual 10-20%. (And you can get into some HUD homes for as little as $100 down!)
- HUD may pay closing costs charged by your mortgage company for providing your loan.
- HUD will pay your real estate broker's commission—up to the standard 6% of sales price.
- HUD Homes are priced at fair market value and most are ready for you to move in immediately.

All in all, a HUD Home could be your smartest move, whether you're a single person, a first-time buyer with a family on the way, or a homeowner whose children are grown and gone. We can open the door to the home you want at the price you can afford.

Gardening Secrets

For a constant flower show, time your plantings so while some flowers are fading, others are starting to bloom (for instance, tulips bloom early, irises later).

Because perennials are plants that come up year after year, they require less work and expense than annuals, which die after one year.

Low-growing shrubs hold soil and help prevent erosion on steep hillsides.

In a hot climate, a vine planted to cover the south side of the house can actually lower your air-conditioning bill.

Bushes make a pretty, ornamental fence substitute.

STEP THREE

Getting Started With a Pro

"We'd drive around neighborhoods sometimes, but we never seemed to have the time to really look for a home. We didn't know the first thing about our price range, or how to start. Then we found Ernie, our broker. That man was a marvel. He showed us homes that really worked for us, and when we found the right one, he took us through all the paperwork, even poured our coffee at the closing. He's coming over for dinner Sunday and we'll pour his coffee!"

Finding Your Real Estate Broker

You'll want to start searching for your broker as soon as you decide to buy a home. Talk to several, and find someone you think you'll be comfortable working closely with. Here's how to go about it:

Many of your friends and relatives have probably bought and sold their homes through brokers. Make some phone calls and get the names of the real estate professionals they've had good experiences with.

You can find out which brokers specialize in the kind of home or the area you want by looking in the Yellow Pages or your local newspaper's classified real estate ads. Or, drive through neighborhoods and note the brokers' names on "for sale" signs.

When you talk to prospective brokers, ask questions about the areas and types of homes in which you're interested. Do they seem knowledgeable? Have they had experience in HUD Home sales? And, most importantly, is their personal style a "good fit" with your own?

Your Real Estate Expert to the Rescue

All the details involved in home buying, particularly the financial ones, can certainly be mind-boggling. That's why you'll want to find a real estate professional to work with early in your home search.

A real estate broker will be well-acquainted with all the important things you'll want to know about a neighborhood you may be considering. The quality of the schools, the number of children in the area, the safety of the neighborhood, traffic volume: your real estate expert will be aware of these factors and more.

He or she will help you figure the price range you can afford, and search classified ads and multiple listing services for HUD Homes and others you'll want to see. With inside information and immediate access to homes as soon as they're put on the market, your broker can save you hours of wasted driving-around time.

When it's time to make an offer on a home, your broker can also point out ways to structure your deal to save money. Your broker will explain the advantages and disadvantages of different types of mortgages, guide you through the paperwork, and be there to hold your hand and answer last-minute questions when you sign the final papers at closing.

Incredibly enough, all this valuable help from your real estate broker is free! Brokers receive a commission which is paid by the home seller, not you, the buyer. If you're buying a HUD Home, you'll be required to use a real estate broker, but the commission is paid by HUD.

Home Comforts and Unexpected Delights!

A garage: your own puttering palace.

You can have that rock garden you always wanted.

Put in romantic indirect lighting, dramatic track lighting, anything you want.

A sandbox for the kids?

Storage space for grandma's stuff you just can't throw out.

You won't have to hang your bike on a wall.

STEP FOUR

Figuring Your Price Range

"When we were little, we'd throw a bedspread over the dining room table and that would be our castle. We'd have a pretend ballroom for our dolls and everything. I think I could give up the ballroom; but the dining room is a must."

How Much Home Can You Afford?

You can save yourself a lot of wheel-spinning in your home search if you take a minute to figure out in just what price range you should be looking.

First decide how much you can afford in a monthly mortgage payment. Lenders have guidelines they use to decide whether to lend you the mortgage money you need to buy your home. Your real estate broker will discuss these financial qualifications with you. Generally, a lender will want your monthly mortgage payment to total no more than 29% of your monthly gross income (that's your monthly income before taxes and other paycheck deductions are taken out.) These are FHA guidelines; you'll want to check with your mortgage lender for their specific requirements.

To make it simple, the chart on the left lists some examples of annual gross income, monthly gross income and the amount of this monthly income available for your mortgage payment (figured at 29%). Find your annual and monthly gross income and look across to locate the corresponding amount you have for your monthly mortgage.

Once you know how much you can spend on your monthly mortgage payment, you're on your way to finding out how much home you can afford. Your loan interest rate will make a big difference, too. You'll be able to buy a higher-priced home if you pay 9% interest than if you pay 11% interest. Ask your real estate broker to help you estimate your interest rate and then figure a realistic home price range.

Annual Gross Income	Monthly Gross Income	29% of Gross Income*
$15,000	$1,250	$ 363
20,000	1,667	483
25,000	2,083	604
30,000	2,500	725
35,000	2,917	846
40,000	3,333	967
45,000	3,750	1,088
50,000	4,167	1,208

*Average housing expense as a percent of gross income.

"I've always been a bargain hunter. Needless to say, I was pleasantly surprised to find out that the average cost of HUD homes is about $40,000. I know I'll find what I'm looking for!"

STEP FIVE

Checking Your Cash Stash

"Most of my paycheck goes every month just to pay the bills. It's a constant struggle to stay ahead. I do have a little saved, but cold hard cash is hard to come by. If I buy a home, is it really going to clean out my piggybank?"

You'll probably borrow money from a mortgage lender to pay for your new home, but there are still some cash expenses you'll have to cover yourself. The three largest amounts are for the earnest money, the down payment, and the closing costs. The good news is that HUD Homes can cost you a lot less than traditional homes in up-front money if ready cash is a problem.

Getting Earnest

When you decide to make an offer on a home, the seller will probably require an "earnest money" deposit as proof that your offer is serious. Your broker will put your check into his or her escrow account.

If the offer is accepted, your check will become part of your down payment or closing costs. If your offer is rejected, your broker will return your earnest money to you.

The HUD Advantage

The earnest money deposit required when you make an offer on a HUD Home will generally range from $500 to $2,000.

The Down Payment

When you buy a home, your mortgage lender will expect you to pay a percentage of the sales price as a down payment. The higher your down payment, the lower your monthly mortgage payments will be.

Your down payment will typically be 10% to 20% of the purchase price, which can be quite a chunk of cash. But don't panic; you can get a real break with a HUD Home.

The HUD Advantage

Many HUD Homes qualify for FHA-insured loans which require only a 3% down payment, sometimes less. Depending on circumstances, your HUD Home down payment can be as little as $100!

Closing Costs

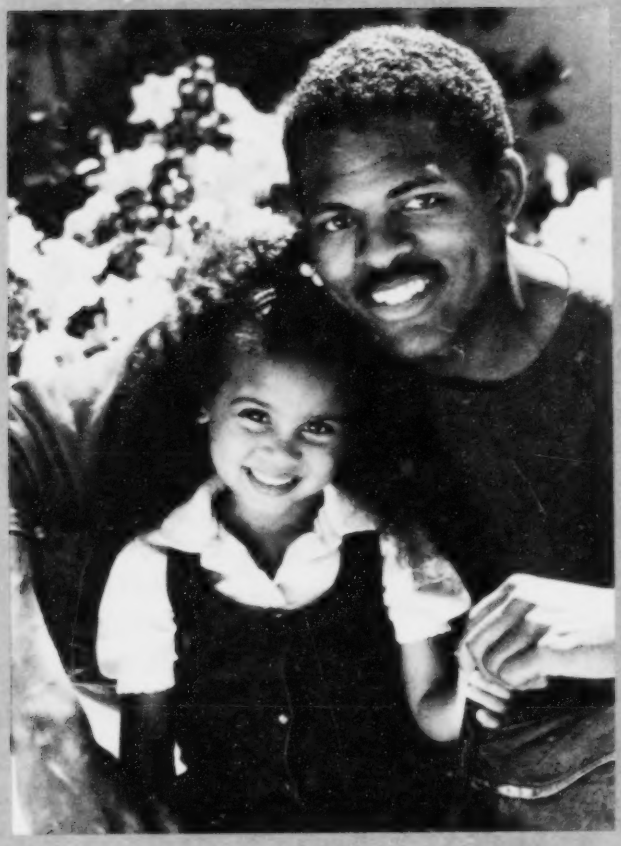
At closing time, you'll finalize your home purchase by signing all the papers which make the home officially yours. You'll have to pay closing costs which average 3% to 4% of the price of your home.

These closing costs are various fees your mortgage lender charges for providing your loan, and other expenses. When you apply for your loan, your lender will give you an estimate of the closing costs you'll be expected to pay later, so you won't be caught by surprise.

The HUD Advantage

If you buy a HUD Home, HUD may pay many of your closing costs.

STEP SIX



Home Shopping Made Simple

"I wanted a quiet neighborhood, with lots of kids for my daughter to play with. But how to know? We went over on a Saturday afternoon and checked it out. There were a bunch of kids out riding bikes, and parents — watering their lawns. Perfect!"

HUD Homes, because they're sold in "as-is" condition without warranty, can often be a great opportunity for the fixer-upper.

Finding Your Perfect Home

Zeroing in on the right home for your needs requires some time and thought. You don't want to fall for an old Victorian, freshly painted in your favorite color, only to discover the nearest supermarket is forty minutes away.

First, sit down and make a list of your priorities, for the neighborhood as well as for the home itself. Maybe excellent schools are your chief concern; perhaps you really want a short commute to work. On page 19 is a Home Shopping Checklist you'll find helpful.

As you work on your list, keep in mind the length of time you think you will be living in the home. Will you need more room as your family grows, or le space as your children move out on their own? And remember the real estate brokers' rule on the three most important factors in buying a home: location, location, location!

Once you've decided on your requirements, you'll want to share your list with your broker. Then he or she can be on the right track when looking through the multi-list or real estate ads for your perfect home.

Take Notes and Pictures

It's easy to get confused as you look at home after home. Taking notes and rating each home on your shopping checklist will help remind you of each one's distinctive personality when you go back to review what you've seen. You might even want to take a snapshot of each home you tour. Ideally, the homes you've given the highest ratings on your Checklist will be the ones in the final running for your perfect home.

The Home Improvements That Will Add the Most to Your Home's Value

- Painting
- New Carpeting, Wallpaper and Decorating
- New Garage
- Room Addition
- Bathroom Remodeling
- Kitchen Remodeling
- Landscaping

You'll Also Want to Consider:

Homeowners Association dues or condo fees

Property taxes

City or county taxes

Area trends in real estate: up or down?

Nearby large sports complex, business park, schools, airport or railroad lines which will affect quality of life?

Now's the Time to Think Financing

If you're looking seriously at homes, you'll want to start shopping for a mortgage loan now. Here's why:

- "Pre-qualifying" with a lender will speed up the loan process and avoid problems later.
- Talking to a variety of lenders gives you an idea of competitive rates and terms in your area.
- It's a good idea to find the best deal on a loan now, before you make an offer to buy.

Ask your broker for the names of lenders you can contact for loan information.

A Word About "Sweat Equity"

Putting in some of your own time and muscle to improve a home that needs work is known as "sweat equity."

These homes are usually priced lower than other homes in the same area, giving you a lot more for your money. So if you're willing to put some effort into a home, it can really pay off.

HUD Homes, too, are listed in your local paper's classified real estate section. From the ads, you'll get an idea of location, square footage, and asking price. Your broker will also have a complete list of available HUD Homes.

You'll want to make several copies of this checklist and fill one out for each home you tour. Then, comparing your ratings later will be easy.

THE HOME	Good	Average	Poor
Square footage			
Number of bedrooms			
Number of baths			
Practicality of floorplan			
Interior walls condition			
Closet/storage space			
Basement			
Fireplace			
Cable TV			
Basement: dampness or odors			
Exterior appearance, condition			
Lawn/yard space			
Fence			
Patio or deck			
Garage			
Energy efficiency			
Screens, storm windows			
Roof: age and condition			
Gutters and downspouts			

THE NEIGHBORHOOD	Good	Average	Poor
Appearance/condition of nearby homes/businesses			
Traffic			
Noise level			
Safety/Security			
Age mix of inhabitants			
Number of children			
Pet restrictions			

THE NEIGHBORHOOD (Cont.)	Good	Average	Poor
Parking			
Zoning regulations			
Neighborhood restrictions/ covenants			
Fire protection			
Police			
Snow removal			
Garbage service			

SCHOOLS	Good	Average	Poor
Age/condition			
Reputation			
Quality of teachers			
Achievement test scores			
Play areas			
Curriculum			
Class size			
Busing distance			

CONVENIENCE TO:	Good	Average	Poor
Supermarket			
Schools			
Work			
Shopping			
Child care			
Hospitals			
Doctor/dentist			
Recreation/parks			
Restaurants/entertainment			
Church/synagogue			
Airport			
Highways			
Public transportation			

STEP SEVEN

The Loan Lowdown

"I had to borrow money from my dad for my first set of wheels. I made monthly payments for what seemed like years: what a responsibility! But did I feel great when it was paid off and I finally became the proud owner of my very own bicycle!"

If you buy a HUD Home, you'll have to close the sale within 60 days of acceptance of your offer, so getting loan approval as soon as you can is very important.

Most loans are for 30 years, although 15 year loans are also sometimes available. During the life of the loan, you'll pay far more in interest than you will in principal — sometimes two to three times more. Because of the way loans are structured, in the first years you'll be paying mostly interest in your monthly payments; and in the final years, mostly principal.

Getting the Loan to Buy Your Home

Along with your new home comes new financial responsibility. You can finance your home with a loan from a bank, a savings and loan, credit union, private mortgage company, or various state and national government lenders. HUD itself does not make mortgage loans directly to home buyers.

Shopping for a home loan is like shopping for any other large purchase; you can save money if you take some time to look around for the best price. Different lenders can offer quite different interest rates and loan fees and, as we've seen, a lower interest rate can make a big difference in how much home you can afford. Talk with several lenders before you decide. Most lenders need three to six weeks for the whole loan approval process, so if you have a closing deadline, you'll want to make sure your lender can meet it.

What's in a Loan

The four parts of your monthly mortgage payment are based on:

Principal: the repayment of the amount you actually borrowed.

Interest: payment to the lender for the money you've borrowed.

Homeowners Insurance: a monthly amount to insure the property against loss from fire, smoke, theft, and other hazards. Required by most lenders.

Property Tax: annual city/county taxes assessed on the property, divided by your annual number of mortgage payments.

First 15 Years Loan Payments

STEP EIGHT

Striking Your Best Loan Deal

"We weren't crazy about going in and asking a bank for all that money. But our loan officer was real good about explaining things — even the confusing terms like FHA and ARM and MIP! The paperwork isn't that bad when you've got somebody on your side."

Applying for Your Loan

You'll need a lot of personal information handy when you're filling out your loan application. For instance:

Social security numbers for you and your spouse, if both of you are applying for the loan.

Copies of your checking and savings account bank statements for the past six months.

Evidence of other assets such as bonds and securities, etc.

A recent paycheck stub or statement.

A list of all credit card account numbers and the approximate monthly amounts owed on each.

A list of account numbers and balances due on outstanding loans such as car loans.

Copies of your last two years' income tax statements.

The name and address of someone who can verify your employment.

Your Loan Options

To prepare you for shopping for your loan, here are some common types of mortgages. Each has positive and negative aspects, depending on your income level, how long you plan to own the home, and other factors. Ask your mortgage lender to explain each option before you make a decision on what type of mortgage loan is best for you.

Fixed-Rate Mortgage

With a fixed-rate mortgage, your interest rate stays the same for the term of the mortgage, generally 30 years.

Advantage:
Your mortgage payment is a stable budget expense each month.

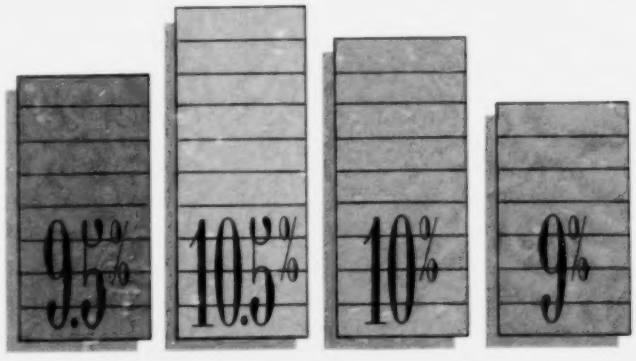
Disadvantage:
Interest rates tend to be higher than with other loans.

Adjustable-Rate Mortgage (ARM)

With this type of loan, your interest rate and monthly payments usually start out lower than with a fixed-rate mortgage. But your rate and payment can change either up or down as often as once or twice a year. The adjustment is usually tied to a financial index such as the U.S. Treasury Securities Index.

Advantage:
With an ARM, you may be able to afford a more expensive home because your initial interest rate and payment will be lower.

Disadvantage:
The possibility of adjustment upwards can make the amount of your loan payment unpredictable.



"That first morning, waking up in our own bed in our own home — I'll never forget it! The kids came in and jumped all over us. The grins on their faces said it all."

FHA-Insured Mortgage

In this type of loan, the Federal Government insures the lender against loss in case the home buyer defaults on the loan. This program was set up so that Americans who can't afford the 20% down payment required by most lenders can still buy a home.

With an FHA-insured mortgage, you can purchase your home with as little as 3% down. FHA-insured mortgages are available on many HUD Homes and other homes, too. At closing, you'll pay what's called a mortgage insurance premium (MIP) for FHA insurance.

Advantages:

As little as 3% down.

Available on HUD Homes or conventional homes.

Available at either fixed or adjustable interest rates.

Assumable at the same interest rate by the next qualified buyer of your home.

Assumable or Non-Assumable

You may find a home with a mortgage loan you can assume from the previous owner. This means that the bank or other lender is willing to "transfer" their old loan on the home to you, sometimes at the same interest rate, sometimes at a different rate.

If your loan is FHA-insured, it will be assumable at the same interest rate by a qualified owner-occupant buyer. If your financing isn't FHA-insured, its assumption terms are up to your lender to decide. Either way, an assumable loan can be a smart way to go.

Advantages:

Can be wonderful bargains, depending on the interest rate.

Loan paperwork usually not as involved, so closing often quicker.

Makes your home more attractive to buyers when you want to sell.

STEP NINE

"We found our home! It even has a wonderful big tree in the back yard and my little girl is begging for a treehouse. Guess I'll have to learn how to use a hammer. It's going to be a whole different life for us now!"

Tying Down Your Dream

HAVE A KITCHEN-WARMING!

Invite your new neighbors over on a Saturday morning and serve coffee, cocoa for the kids, and a coffee cake fresh and warm from the oven!

You've finally found the home you want to own. Now it's time to make an offer to buy it. You and your broker must first decide whether you want to offer the asking price on the home, a lower price, or even a higher price. You should discuss:

- The asking price. Is it in line with prices in the area for similar homes?
- The home's condition. You may want to get a professional inspection of the home before you make your offer. If it needs repair, you may get a lower price.
- How long the home has been on the market. If it's been for sale awhile, the seller may be more eager to accept your offer.
- The mortgage payment required at the price you're offering. Make sure you can really afford it.
- How much you really want the home. The closer your offer to the asking price, the more likely you are to get it. In some cases, you may even want to offer more than the asking price to improve your chances of getting the home you want.

After you and your broker have written up your offer, he or she will deliver it to the seller. It may be accepted or rejected, or the seller may counter your offer by asking for a higher price or some other change in terms. Here's where negotiation comes in.

Mix Up Some Play Clay

It's easy and inexpensive – the kids'll have fun mixing it and then creating with it!

1 cup flour
1½ tsp. alum
½ cup water
1-2 tblsp. solid shortening
½ cup salt
a few drops of food coloring

Mix all ingredients and store in plastic bag or airtight container in refrigerator.

Negotiation: the Art of the Trade-off

When bargaining, always remember that what's important to you may be quite different from what's important to the seller. And this is where, if you give a little, you can get a lot.

"We went back and forth for days. Finally I said the seller could keep her antique light fixtures and her washer-dryer if she'd go for my offering price. And we had a deal!"

HUD Homes are a little different. When you make an offer on a HUD Home (sometimes called a "bid") you'll include the price you want to pay for the home and what you'd like HUD to contribute in terms of closing costs or possible fix-up allowances. There's no real bargaining involved.

Making a HUD Home Offer

Many HUD Homes are sold in what's known as an "Offer Period," during which your offer must be made. If your offer is for the full asking price, it may be accepted by HUD immediately, even before the Offer Period is over. If you offer less than full price, your bid will be opened with all others at the conclusion of the Offer Period. You may attend the opening of the offers and your broker will be notified if your offer is accepted.

Other HUD Homes are listed on an "extended" basis which means offers may be submitted any business day. If your bid on one of these homes is accepted, your broker will usually be notified within 48 hours of HUD's receipt of the offer.

Your broker will explain the details of making a bid on a HUD Home; it isn't all that complicated. In fact, buying a HUD Home can involve less paperwork and red tape than buying another type of home.

Getting an Inspection!

You may want a professional inspection of the home before you make an offer. Your broker may be able to recommend an inspection company to check:

A written report should be included in the fee.

HUD Homes are sold in "as-is" condition. That means you agree, if you buy the home, to accept it in its present condition and understand HUD will not make any repairs. Therefore, be sure of the condition of the home before you submit your offer.

STEP TEN

"This house buying thing is no sweat for mom and dad — all they've got to do is go in and sign a few papers in some office. Now me, I've got a lot of stuff to worry about... packing my books and finding my baseball cards and my spare skateboard... and will Buster, my snake, like my new room?"

The Happy Ending

Some Moving Tips

1. When you know what date you will be moving into your new home, contact the local gas, electric and water departments and ask to have service turned on by that date.

2. Set appointments with the telephone company and, if you want, the cable TV company to begin service.

3. Make an inventory of your possessions as you're unpacking. This list could be invaluable in case of fire or theft.

4. Check the furnace and air conditioner; replace filters.

5. Put out the welcome mat and enjoy your new home!

Finally — The Closing!

Closing on your new home is very exciting. It's the time when your home at last officially becomes yours. In return for signing lots of paper and paying whatever's due for the down payment, fees, and other closing expenses, you will walk out as the proud owner of your new home.

The sheer volume of terms and forms you'll be faced with at closing can be somewhat baffling. That's why it's essential to sit down with your broker beforehand and find out about closing paperwork. Ask about prorated expenses, homeowners insurance, mortgage insurance premium and the like. You'll find an explanation of common closing terms in the glossary at the end of this guide.

Your lender is required to give you:

- A booklet explaining closing costs.
- A "good faith estimate" of how much cash you'll have to supply at closing.
- A list of the documents you'll need at closing. If you're missing any of these things, call your lender well in advance of closing. Don't hesitate to ask questions if anything is unclear.

Congratulations!

You've signed everything and written your closing check. The seller is paid, and your home is all yours, at last. There, it was all worth it!

THE "WALK-THROUGH"

You and your broker will want to make one last visit to the home before closing, for a final, thorough inspection.

- *Be sure any problems you hadn't noticed before are taken care of by the seller before closing.*
- *If buying a HUD Home, remember you're buying it "as-is." The walk-through is to verify that conditions haven't changed since you last inspected the property or had a professional do it. If there is a problem, have your real estate broker contact HUD before the closing.*

Questions and Answers About HUD Homes

The information in this Guide applies to any type of home you may consider. But now we want to give you some specific advice about buying HUD Homes and a brief summary of their advantages.

What are HUD Homes?

When mortgage lenders foreclose on an FHA insured mortgage home, they can file a claim with FHA to have HUD pay the balance due on the mortgage and assume ownership of the foreclosed property. These properties, which include single-family homes, townhomes, and condominiums, are then put up for sale as HUD Homes.

Why Look Into a HUD Home?

Because HUD can open the door to the home you want at the price you can afford. Here's how:

You can get into a HUD Home with less cash than you'd need for most others because HUD may pay your closing costs.

Many HUD Homes require only a 3% down payment instead of the usual 10-20%. And you can buy some HUD Homes for as little as $100 down!

HUD will pay your real estate broker's commission – up to the standard of 6% of sales price.

HUD Homes are priced at fair market value.

Most HUD Homes are ready for you to move in immediately.

Who Can Buy a HUD Home?

Any qualified buyer can purchase a HUD Home, regardless of race, color, religion, sex, national origin, handicap, or familial status.

What if the HUD Home Needs Repairs?

Not every HUD Home needs fixing up, but, when one does, it can be a real home bargain. For example, HUD may lower the price on the home to reflect the fact that the buyer will have to invest money to make improvements. You then might be able to buy a bigger house than you thought you could afford. Or, HUD might offer a special program that includes money for improvements as part of an FHA-insured financing program. Your broker will have details.

HUD makes no warranties on its homes. If any problem is discovered after you buy the home, it's your responsibility to fix it. For this reason, you may wish to have a professional inspect the home before making an offer on it.

A word about lead-based paint. HUD has initiated a nationwide effort to alert home buyers with young children to the hazards of older homes that may contain lead-based paint. If you are making an offer on a home constructed prior to 1978, you should be aware that there may be lead-based paint on the premises. Your broker will give you a copy of an informative brochure entitled "Watch Out For Lead Paint Poisoning." You must also submit a lead-based paint addendum with your offer on the HUD Home.

How to Find the HUD Homes in Your Area

HUD Homes are sold through real estate professionals, so contact a broker in your area, who participates in the HUD Homes sales program. See Page 11 of this guide for tips on selecting a real estate professional. You'll find them to be invaluable sources of advice about HUD Homes and about every facet of the home buying process. And, their services are free – HUD pays your broker's commission!

Glossary of Home Buying Terms

Adjustable Rate Mortgage (ARM)
A type of mortgage loan whose interest rate changes periodically up or down, usually one or twice a year.

Annual Percentage Rate (APR)
Everything financed in your mortgage loan package (interest, loan fees, points or other charges) expressed as a percentage of the loan amount (usually slightly above the actual interest rate alone.)

Assumable Loan
A loan which the lender is willing to "transfer" from the previous owner of the home to the new owner, sometimes at the same interest rate, sometimes at a new rate. An assumable loan can make your home more attractive to buyers when you want to sell.

Closing Costs
Costs the buyer must pay at the time of closing in addition to down payment: including points; mortgage insurance premium; homeowners insurance; prepayments for property taxes; etc. Closing costs average 3% to 4% of the loan amount; if you're buying a HUD Home, you can request they be paid by HUD.

Contingency
A condition put on an offer to buy a home; such as the prospective buyer making an offer contingent on his or her sale of a present home.

Conventional Mortgage
A type of mortgage not insured by either the Federal Housing Authority (FHA) or the Department of Veterans Affairs (VA), and thus usually requiring a 10 to 20% down payment. (HUD homes may be purchased with a conventional mortgage.)

Earnest Money
Funds submitted with an offer to show "good faith" to follow through with the purchase. Earnest money is placed by the broker in an escrow/trust account until closing, when it becomes part of the down payment or closing costs. (HUD generally requires an earnest money deposit of $500—$2000.)

Escrow
A procedure in which documents or transfers of cash and property are put in the care of a third party, other than the buyer or seller.

FHA Financing
Financing for a loan which will be insured against loss to the lender by the Federal Housing Administration — a part of the U.S. Department of Housing and Urban Development (HUD). Such financing only requires a 3-5% down payment by the buyer rather than the usual 10-20%.

Homeowners Insurance
Insurance coverage that protects the homeowner from "casualty" (losses or damage to the home or personal property) and from "liability" (damages to other people or property.) Required by the lender and usually included in the monthly mortgage payment.

Loan Origination Fee
A fee charged by the lender for evaluating, preparing and submitting a proposed mortgage loan.

Mortgage Insurance Premium (MIP)
A charge paid by the borrower (usually as part of the closing costs) to obtain financing, especially when making a down payment of less than 20% of the purchase price, for example on an FHA-insured loan.

Point
An amount equal to 1% of the principal amount being borrowed. The lender may charge the borrower several "points" in order to provide the loan.

Prepayment Penalty
A fee charged by the lender to the borrower who pays off a loan before it is due. Such a penalty is disadvantageous to the borrower, and not allowed for FHA or VA loans.

Property Taxes
Taxes (based on the assessed value of the home) paid by homeowners for community services such as schools, public works, and other costs of local government. Paid as part of the monthly mortgage payment.

Title Insurance
Protects lenders and homeowners against loss of their interest in property due to legal defects in the title.

VA Loan
A loan guaranteed by the Department of Veterans Affairs against loss to the lender, and made through a private lender. (HUD Homes may be purchased with a VA loan.)

HUD Homes
The Smart Move

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